

ANALYSIS OF THE CHINA-JAPANESE TREATIES

Their Bearing on American Interests

BY

GEO. BRONSON REA,

Publisher of

"The Far Eastern Review"

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"The difficulty between China and Japan has been peacefully settled, and with the signing of the Treaties and exchange of Notes, the matter ceases to be of immediate public interest. It is a closed incident." This seems to be the consensus of opinion in the United States. The fact remains nevertheless that the real trouble has not yet commenced. By the signing of the Treaties, an issue has been created for the United States, on a par in importance with larger questions affecting our rights arising out of the European war: American rights have again been ignored and swept aside by the application of Might to a defenseless nation.

When Japan presented twenty-one demands to the Chinese Government last January, and the facts leaked out, Japan assured the Powers that it was all a mistake, and that only eleven demands had been presented, and pointed an accusing finger at Germany as the author of the libel on her good intentions. Count Okuma cabled reassuring messages to America, that the treaties would not be impaired, and to rely in Japan's honor not to take any unfair advantage of China. The reports from Peking were strenuously denied, and America invited to believe only the cables from Tokio.

It was not until May 7th, when the Japanese Government released its official version of the demands and the negotiations leading up to the ultimatum, that the world was given the first authoritative account of the trouble by one of the principals. This statement fully corroborated the reports which had emanated

from Peking, admitting the existence of twenty-one demands, and condemning Japan out of her own mouth. On May 16th, the following Note from the American Government was delivered to the Chinese Government by the American Minister at Peking:

"In view of the circumstances of the negotiations which have taken place or which are now pending between the Government of China and the Government of Japan and the agreements which have been reached and as a result thereof, the Government of the United States has the honour to notify the Government of the Chinese Republic that it cannot recognize any agreement or undertaking which has been entered into, or which may be entered into between the Governments of China and Japan impairing the treaty rights of the United States and its citizens in China, the political or territorial integrity of the Republic of China, or the international policy, commonly known as the Open Door policy."

An identical Note was handed to the Japanese Government through the American Legation at Tokio.

The thought at once arises; if Japan's demands did not impair American rights under the existing treaties, why should the pacific and friendly American Government feel constrained to issue such an unmistakable warning to both Governments? The terms of the ultimatum with only minor and immaterial changes, were nevertheless embodied almost in their entirety into two treaties and several supplementary Notes, and China was compelled to bow to the might of superior force and affix her signature to these impairments of her sovereign rights. But before doing so, the Chinese Government broke the silence imposed on it at the outset of the negotiations by Japan, and laid its case before the world in an official *communiqué* dated May 7th. The concluding paragraph of this simple and dignified statement of facts, should be carefully read, as it outweighs all the arguments and sophistries advanced by Japan to justify her actions.

"It is plain that the Chinese Government proceeded to the fullest extent possible to make concessions. In considering the nature of the course they should take in reference to the ultimatum, the Chinese Government was influenced by its desire to preserve the Chinese people, as well as a large

number of foreign residents in China from unnecessary suffering, and also to prevent the interests of other friendly Powers from being imperilled."

For these reasons the Chinese Government was constrained to comply in full with the ultimatum, but in complying, the Chinese Government disclaims any desire to associate itself with any revision which may thus be effected in the various conventions and agreements concluded between other Powers, with respect to the maintenance of China's territorial independence and integrity, the preservation of the status quo, and the principle of equal opportunity for the commerce and industry of all nations "in China."

The above is clear. China accepted humiliation to preserve the lives and properties of the large number of foreigners throughout the country, at a time when their own Governments were powerless to protect them. Reading between the lines of the American Note and the closing words of the Chinese official *communiqué*, there can be only one intelligent interpretation of the situation. Recognizing that its treaty rights were imperilled, and China's political and territorial integrity menaced, the American Government placed itself squarely on record that it could not be a silent witness and a willing accomplice to this Oriental triumph of brute force over right and meekness. The Chinese Government has plainly stated to the world that it was overawed by the superior might of Japan, and compelled under threat of war to comply in full with the latter's behests, and at the same time disclaiming any intention of being a willing associate in the impairment of established treaty rights of others. America notified China and Japan of her determination to retain all her rights under these treaties, and China has announced that if these or other rights are impaired, Japan is solely responsible.

If there is no impairment of previous treaties in the new arrangements between China and Japan, there can be no just reason for criticism, or future interference of other Powers. But, if on analysis these documents bear evidence to the contrary, it would seem that a very clear and decided issue had been created, which other Powers must take notice of, or, if it is shown that American rights have been infringed or ignored, the day cannot be long deferred before the facts are brought forcibly to the attention of the people and the Government.

China has placed the other Powers under a deep obligation for her forbearance, and practical acceptance of those principles of meekness so ardently preached by our leading peace and anti-armament advocates. China accepted humiliation in order to preserve the lives of her own peaceful people and the thousands of foreigners who reside within her borders. She has placed her case in the hands of those friendly Powers whose interests she sought to protect. When the time arrives for the settlement of these matters involved in the preservation of the rights and liberties of the smaller and weaker states, the Supreme Court of Civilization will be called upon to give solemn consideration to the facts of the last four months. If Japan has taken any unfair advantage of the situation to obtain for herself special privileges in China, at a time when the Guarantors of China's integrity were powerless to prevent her, the treaties wrung by force from China, will in justice to others have to be abrogated.

Have the rights of others been impaired? I shall endeavor to prove that they have, and that a grave issue has been created for America as the result of Japan's indifference to the rights of others.

INTERNATIONAL ETHICS INVOLVED.

In analyzing the clauses of the Shantung treaty, it would seem that if the right of Might and retention of stolen property is an accepted principle of international law, then no third party has any claim to concern itself over the transfer of German privileges in Shantung to Japan or any other nation. The Powers made no direct protest against Germany's enjoyment of the fruits of her inglorious raid on China. It would be manifestly unfair therefore to discriminate and object to Japan's occupancy of Shantung. China's viewpoint is never considered, especially amongst a certain element in America, whenever any discussion arises as what is best for Japan, and in this particular vital matter, it is taken for granted that she ought to be delighted and pleased at Germany's defeat and Japan's inheritance of the latter's rights. China's viewpoint is that her own special interests are best preserved by a continuance of the *status quo*, in harmony with the declared terms of the Anglo-Japanese Alliance. After her sad experiences in Manchuria, and the indignities heaped upon her by her strong-armed little neighbor, is it unreasonable that China should view

with grave apprehension any further extension of Japan's spheres of special influence?

Because Germany compelled China by superior might to cede certain territories and special privileges in Shantung, it does not follow that the Chinese accept the perpetuation of this principle by any victorious enemy of Germany, and especially one who has brutally ignored China's rights in the past and compelled her to apologize and pay indemnities on the slightest provocation or pretext. If Germany's policy of the "Mailed Fist" first applied to defenseless China, is open to severe condemnation, it follows as a matter of honest deduction and logic that any Power who aspires to succeed to the fruits of this iniquitous policy, and employs the identical methods to achieve its purpose, places itself on the same level as Germany, and is open to the same severe criticism and condemnation. China was robbed by Germany, Japan attacked the robber and acquired temporary enjoyment of the spoils, and insists on retaining ownership. Because the rightful owner remonstrated and requested restitution of the stolen property, in conformity with Japan's promises, the latter professed to be insulted and employed this pretext to enforce recognition to her possession of the stolen goods. Stripped of all diplomatic and superfluous verbiage, this simple statement reduces the situation to its lowest terms.

Germany has been held up to universal execration for the methods employed by her in grabbing Kiaochao from China and implanting herself in Shantung. Japan refuses to admit that China has any further voice in the disposition of her stolen property, and, by applying the same methods as employed originally by Germany, has compelled defenseless China to recognize the transfer of Germany privileges. It is true that Japan has promised to restore Kiaochao to China, but there is no indication as yet that she has any intention to forego the valuable commercial clauses embraced in the lease. It is impossible to apply one code of international ethics to Germany, and another to Japan when the conditions are identical.

The Japanese are resentful of any American criticism of their present actions, and seek to find therein a special prejudice against their country. They assume that we ought to be glad that Germany has been driven out of Shantung, and feel aggrieved that we should in any way question their honorable motives.

Although no other Power uttered an open protest against Germany's high-handed outrage in 1898, it was this particular event which determined the American Secretary of State to dispatch the Open Door invitations to the various Powers concerned. While this was not a specific protest against Germany's actions, it placed the American Government firmly on record that it disapproved of these strong armed seizures of China's territory. If we disapproved at that time and adopted measures to obviate any further infractions of China's sovereign rights and integrity, and have on many subsequent occasions reiterated our adherence to these fundamental principles, it follows that America cannot stultify herself at this time, by making a special dispensation in favor of Japan, and subscribing to the perpetuation of a policy which menaces the future of China and American rights in that country. Germany was wrong in 1898, and America refused to condone the wrong. She cannot reverse her attitude in 1915 by upholding Japan.

If this reasoning applies to the situation, and if China's property is to pay the expenses of Japan's war with Germany, it would again seem reasonable and fair that China as the most interested party should be permitted to nominate a representative to take part in any Peace Negotiations having in view the disposition of her rights. Due to the intricacies of modern international finance, the questions involved in any transfer of Germany's rights in Shantung to Japan, create many new and complex problems, and compel the signing of a treaty at the expiration of the war between Germany and Japan, quite distinct and apart from any general European settlement.

The existence of the Anglo-Japanese Alliance, and the invocation of its provisions as the justification for Japan's entrance into the war would appear to make Britain equally responsible with Japan for China's plight. This in turn would indicate that Britain should participate in any final settlement after the war, and herein lies China's one great hope of eventual justice being meted out to her.

These fundamental questions of right and wrong must be grasped before any intelligent analysis of the new treaties can be attempted, and their bearing on American interests explained. We can now proceed to indicate where the very first clause in

the Shantung Treaty conflicts with American ideas of right and wrong, shatters the last hope of a "square deal" for China, and creates future trade difficulties for our merchants.

CREATION OF SPHERES OF INFLUENCE.

How Germany obtained from China in 1898 the 99 year lease of Kiaochao and special privileges in the Province of Shantung, by penalizing China for the murder of two German missionaries, is an old story, always cited as the first application of the "Mailed Fist" policy. In the present state of world opinion, this incident is invariably employed as illustrative of her high-handed methods, but the fact seems to be overlooked that it was inspired by Britain's occupation of Hongkong, the French success in committing China to the non-alienation of Hainan Island in March 1897, Britain's erection of a ringed fence around the Yangtsze Valley in February 1898, and Russia's intrigues to secure possession of Port Arthur. These dates must be borne in mind, for it was not until March 6th, 1898, that the Kiaochao Convention was signed. Germany's proclaimed intentions in regard to Shantung, impelled Britain to demand the non-alienation of the Yangtsze Valley the month previous. France followed by obtaining a non-alienation declaration covering South China on April 10. Eight days later, Britain already established at Weihaiwei, informed Germany that she would respect the latter's rights in Shantung, and the week following Japan staked out her claim to Fukien. On June 9th, Great Britain obtained the extension to her Hongkong Territory, and on July 1st, the lease of Weihaiwei. It is of special interest to Americans to note that the spoilation of China, occurred at a time when the attention of this country was diverted to our troubles with Spain, and we were powerless to intervene. It is also apparent that it is difficult to single out any particular Power for special condemnation as they were all equally guilty. It remained however for Germany to claim the inglorious distinction of being the first Power to incorporate into a treaty the principle of exclusive opportunity in her special preserves. This appears in the clause of the Kiaochao Convention, reading:—

"The Chinese Government binds itself in all cases where foreign assistance in persons, capital or material may be needed for any purpose whatever in the Province of Shan-

tung, to offer the said work or supplying materials in the first instance to German manufacturers and merchants, and only in the event of the latter declining to undertake the performance of such works is China at liberty to act as she pleases."

This clause created the Province of Shantung as a closed German preserve, and inspired other Powers to take action in defending their own special interests in other sections of China. It was this clause which also influenced the American Secretary of State to send out the invitations to the other Powers to secure their adherence to the principle of equal opportunity. Notwithstanding Germany's subscription to this policy, it is undeniably true that for some years she adhered to her exclusive privileges in Shantung. As time went on though she discovered that the Province was not an Eldorado, and that the clause operated against her equal participation in other more profitable sections of China. She then began to display a desire to relinquish these preferential rights, and tentative conversations were held with the Chinese authorities having this end in view. Although Germany's motives were eminently selfish, the Chinese viewed this tendency as a step in advance towards the recovery of their sovereign rights, and as marking a disposition on the part of Germany to live up to the principles of the Open Door. It is a fact not generally known that in later years Germany was willing to permit other nationals to co-operate in the development of the province. The German Bank invited the official British institution to participate on equal terms in the floating of the loan for the construction of the Chefoo Breakwater, and British engineering firms investigated and submitted estimates for the work. One of the most prominent American engineering concerns was also interested, and stood an excellent chance of being awarded the contract. Americans also held options on valuable mining properties in this province. I mention these facts merely to accentuate the point that if Japan had not carried the war into China and made this inoffensive nation pay the costs, there was every reasonable prospect that the one objectionable clause in the Kiaochao Convention would have been eliminated with profit to China and the rest of the world. China's sovereign rights would have been strengthened, and the precedent for exclusive privilege expunged from the treaties. Japan's succession to Germany's

rights destroys the last hope that China will ever be liberated from these provisions, for in the present treaties this principle has been expanded and perpetuated in Manchuria, and the attempt made to extend them to Fukien and apply to the iron and steel industry in the Yangtsze Valley. The preservation of this obnoxious doctrine was vital and imperative to the prosecution of Japan's designs on China.

VIOLATION OF THE "OPEN DOOR."

If Japan has demanded and obtained from China exclusive and preferential rights in Manchuria it is conclusive evidence that she will not feel disposed to consent to any surrender or modification of these same privileges in Shantung. The principle of exclusive spheres is to be strengthened and perpetuated, and the doctrine of the Open Door relegated to the waste paper basket. It is in this respect that the first clause of the new treaty constitutes a menace and disregard for American rights and interests.

The revival of the "Spheres of Influence" policy by Japan which undermine and subvert the authority of the Chinese Government, and tend to close the door to others, sounds the death knell to the Open Door doctrine. The American Note to China and Japan states in no uncertain terms, that our Government cannot recognize any impairment of this policy. The issue is created. It exists to day as an actual force, and sooner or later must be faced. The only guide to the future are the events of the past, and as we look back to what has occurred in Korea, Manchuria, and in Shantung since the Japanese assumed control, and then consider what is behind Japan's pretentions in Fukien, there is only one intelligent deduction to make.

AMERICA'S WEAKNESS INVITES INSULT.

True to her traditions America has sedulously refrained from claiming any economic or political advantages in China, and since the adoption of the Open Door agreements in 1900, every country, except Japan, has adhered in principle to the doctrine of equal opportunity. These countries have however, special interests, bound up within the spheres previously outlined. Important vested interests have been created in these districts, and now that Japan has re-established the "Spheres of Influence" policy, there is grave reason to fear that the other Powers may consider it

necessary to follow Japan's example and protect their special and vested interests, by the application of the same doctrine. America would then be completely frozen out of the Republic. If Japan's precedent holds, then Russia, Great Britain and France may follow suit, especially if Japan refuses to return to the Open Door. The menace to America's interests behind Japan's actions in China is therefore real, and if the other Powers feel that they are so obligated to Japan for her assistance during this war, and side with her, America would be compelled to meekly accept the humiliation and bid Good-Bye to dreams of future profits from the use of the Panama Canal through participation in the great undeveloped markets of Eastern Asia. And if our rights could be so easily taken from us in China, it would not be long before the same tactics would be employed in South America. As the "Open Door" Doctrine has been swept away by the might of superior force, so would the Monroe Doctrine be put to the test. The influence on our trade with South America arising out of the situation created in China merits special study and examination.

THE ALMIGHTY DOLLAR VERSUS HONOR.

There is a marked tendency in certain American circles to concede Japan's right to establish a political and commercial supremacy over China, based on the assumption that our trade with the latter country would be more stimulated and benefitted by co-operating with Japan, using the merchants of this country as our agents or go-betweens. This idea also embraces the financial side of our relations with China, on the argument that Chinese loans would be safer and more attractive if contracted through Japan, and with her guarantee. This in other words, is the policy advocated by Count Okuma when he assumed office, and which has been insiduously introduced into America by those allies of Japan who receive their inspiration from a common source in Tokio. This argument has been forcibly advanced by the President of the Japan Society, who in his desire to have America withdraw from the Orient and permit Japan a free hand in China, defends his position on the grounds that our trade with Japan is much greater than with China, that we have no spheres of influence in China, and that our natural field for trade expansion lies to the south. This plea for Japan outrages all ideas of honor and asks that our friendly regard for China be sacrificed on the

altar of the Almighty Dollar. Because our trade will perhaps benefit as the result of China's decline into a Japanese province, the national life and aspirations of this long suffering people must be blotted out. The enormity of such a crime against a weak and defenseless nation struggling manfully through a tardy evolution from the darkness of medievalism into the light of modern thought, handicapped with the iron-clad customs and habits of centuries and the aggressions of predatory neighbors, is utterly un-American, and opposed to all those principles on which our own Government is founded. The idea is so sordid and base that it could never have emanated from the mind of any true American, and could only have germinated and found root in a soil far removed from the influences of our thought and culture. This idea of abandoning the principle of equal opportunity in China and giving a free hand to Japan to subjugate the country, and concentrating our commercial energies in South America, is very attractive and has found many adherents amongst those who value trade and profits higher than principle, and who have given no thought to the disturbance of those world commercial currents caused, as a result of the recent treaties.

PENALTY OF DEFEATED NATIONS.

The first clause of the Shantung Treaty is obviously based on the belief that Germany is to be completely eliminated from Shantung, as all German rights in this province whether acquired by treaty or *otherwise* are to be surrendered to Japan. When the attitude of Great Britain in Hongkong in compelling the liquidation of all German firms in the colony, and the general tone of the British press and public utterances of high officials are considered, the great truth is borne home to the mind of the neutral, that the complete elimination of German trade and influence in China must be accepted as one of the cardinal objectives of the present struggle.* Japan has already indicated by her actions in Shantung and the South Seas, that temporarily at least, she does not intend to be bound by the principles of international law covering the inviolability of private property, emphasizing her determination to consider as spoils of war all German rights

*On June 25th, a British Order in Council prohibiting any further trading with enemy firms in China, Siam, Morocco and Persia.

whether acquired by treaty or individual enterprise. The principle to be established as foreshadowed by Japan's present policy, is that a defeated nation is to be deprived of the fundamental right of free competition in the markets of a neutral country. This doctrine ruthlessly applied by a victorious Power, constitutes a terrible punishment for any nation who may have the misfortune to suffer defeat in any future conflict, and invites attention to the bitterness of that intense struggle for existence and commercial advantage which lies at the root of the world's present troubles.

MENACE TO AMERICAN TRADE.

The confiscation of all German commercial and other rights in Shantung, and the declared intention of the Allies to uproot and destroy the source of German influence in China and drive her commerce from this neutral market, while constituting a most praise-worthy and patriotic object for her enemies, points a moral to other nations and should be subjected to close scrutiny to ascertain its ultimate bearing on American trade. Although on its face this does not convey any threat to American interests, yet if brought under examination together with other unmistakable signs of the times, analysis will determine that American export trade must inevitably suffer. It does not require any expert knowledge of present day commercial currents to grasp the fact that if German trade is uprooted in the great markets of China, and her colonies are absorbed by the victorious Allies, and the home markets of the Allies are to be closed to her in the future, Germany's export activities will be concentrated on those neutral markets open to free competition. If we eliminate China and Japan, India, Australia and the best part of Africa, and then bear in mind that the home countries of the Allies will be practically barred to Germany for at least another generation, it becomes evident that the only great field that will remain open to her unrestricted commercial activities will be the neutral markets of North, Central and South America. The logical sequence therefore to Germany's expulsion from the markets of China and those under the control and influence of the Allies, will be to compel the concentration of her remarkable export organizations to the expansion of trade in Mexico, Central and South America in direct competition with the efforts of the United States.

The operation of the new tariff law compels our manufacturers to get out and seek a larger share of the export business, and the initial steps have already been taken to perfect an organization for the advancement of our interests in South America. Economic conditions in the United States make imperative this expansion of foreign trade, and when the rush of war orders is over, and conditions become normal, the necessity for markets will be more keenly felt. If American manufacturers will now pause and consider that the recent treaty extracted from China by Japan, closes the door to their future activities in Manchuria and Shantung, and revives the policy of the "Spheres of Influence" in China, which if applied by the other Powers, will freeze them completely out of this market, they will begin to see that the effect will be to compel them to concentrate their activities in building up trade with our neighbors to the South. The operation of the same policy will drive Germany to almost exclusive activity in the same sphere, so the result of Japan's actions not only deprives America and Germany of equal opportunity in China, but forces them into direct competition in Central and South America.

No matter what the ultimate outcome of the war in Europe may be, the German people will have to live and operate their industries and factories, and be conceded the right to trade and compete in those neutral markets of the world, not closed to them by the resentment of the Allies. With the full force of German industrialism directed into competition with America for the supply of the South American markets, our manufacturers will be eventually driven from the field, by the application of the same business methods that undermined the trade supremacy of Britain in her own special spheres. The struggle for existence in Germany will be keen, and to provide work for the masses, profits will be reduced to a minimum. Against such a competition American manufacturers will be placed under a great disadvantage and their export trade must inevitably suffer. It will thus be seen that the very first clause of the Shantung treaty, will tend to increase the trade difficulties of America, and by throwing America and Germany into direct commercial competition, it is certain to create rivalries, jealousies and ultimate friction, if not an open attack on the Monroe Doctrine. From this brief observation of the commercial currents set loose in China, it would

seem that future trouble is in store for America. If we permit Japan to work her will on China, and concentrate our energies on South America, we not only lose our footing in China, but invite disaster nearer home. It goes without saying that if we adopt the policy advocated by the President of the Japan Society, and entrust our interests in China to Japanese Agents, we could never hope for any abandonment of principle, and American goods would again be subjected to discrimination if not actual boycott.

JAPAN SOLIDIFIES HER CONTROL OF SHANTUNG.

It has been made clear how the provisions of the new Treaty between China and Japan nullified the principle of the Open Door, re-established the Spheres of Exclusive Influence, in manifest disregard to the position of America and also the ultimate effect of the treaty on the trade of America with China and South America. We can now turn the search light of truth on the other clauses of the Shantung treaty, and disclose the real working of that Oriental diplomacy, which has been hidden behind a cloud of high sounding phrases of amity and good will to the rest of the world. A peep behind the scenes will disclose that underneath the simple looking demands, are revealed the well laid plans of Japan to solidify her hold on China, and loot the revenues of the Government for the benefit of Japanese interests.

The first supplementary note to the Shantung treaty, reads:—

“Within the Province of Shantung or along its coast no territory or island will be leased or ceded to any foreign Power under any pretext.”

This Note is a modification of the original demands that China should not lease or cede such territories to any *third Power*. Even in this matter it is seen that Japan endeavored to force her way to exclusive rights and privileges. On its face, this clause would seem to be equitable to both parties, always having in view Japan's position. Her argument for presenting and insisting on the adoption of this clause was the usual and generally accepted doctrine of a stronger nation imposing its will on a weaker neighboring country to protect its own national existence, by obviating any possibility of another Power obtaining a foothold, which might conceivably be transformed into a naval base. This

official explanation of Japan is therefore unchallengeable, and corresponds to similar American policy with reference to the Latin American countries to the south. There is another and more subtle aspect to this clause, which compels a tribute to Japan's astuteness, for analysis will indicate that it simply serves to strengthen her hold on the province, by adhering to well established and accepted precedents of 1898 in delimiting her special preserves. Germany overlooked this re-insurance in drafting the lease of Kiaochao and installing herself in Shantung, and the gate was always open for China to lease or cede another point of vantage in the province to another Power, as evidenced by the lease of Weihaiwei to Great Britain. Japan has skillfully repaired this breach in the ringed fence, that's all.

It will be remembered that Great Britain, France and Japan extracted from China in 1897 and 1898 the so called Non-Alienation Declarations covering their respective spheres of influence. These engagements definitely delimited these spheres set apart for the special interests of the above Powers, while Russia in turn had marked out Manchuria as her particular "piece of the Chinese pie." These Declarations are still in force and constitute the foundation of the British, French and Japanese pretensions to the Yangtze Valley, South China and Fukien. Viewed in this light, the non-alienation supplement to the recent treaty respecting Shantung simply proclaims that Japan is adhering strictly to precedent, and is leaving no loop hole for others to break into her preserves. It is self evident that after her sad experiences at the hands of her "friends," China would never again *willingly* consent to any further alienation of her territories by lease or otherwise, and as far as she was concerned this provision in regard to Shantung was uncalled for and unnecessary. Only by the application of that brute force employed by other nations in dealing with her, can China be separated from her territories. The only apparent justification for enforcing this additional humiliation on China, rests on the assumption that Germany may at some time in the future compel China to recompense her for the loss of Kiaochao, by the lease of some other port or island off the coast of Shantung, which in turn might be transformed into another naval base. As there are no other ports in the province or islands off its coast suitable for such purpose, it deprives this argument of its force, and reduces the meaning of

the clause, to a set determination on the part of Japan to solidify her hold on what she has acquired. The non-alienation clause respecting Shantung also rounds out and puts the finishing touch on the series of these undertakings, and leaves no corner of China, which can be alienated. Russia in Mongolia and North Manchuria, Japan in South Manchuria and Shantung, Great Britain in Tibet and the Yangtsze Valley, Japan in Fukien, and France in South and Southwest China and the Island of Hainan, have parcelled the country between them, and the only place that China might of her own free will cede or lease territory without coming into conflict with these other Powers, would be in the Metropolitan Province of Chihli.

THE STORY OF LUNGKOW.

We can now turn to Clause 2 of the treaty which reads:

“In building a railway connecting Chefoo or Lungkow with the Tsingtau-Tsinanfu line, China shall apply to Japanese capitalists for the necessary loan, provided that Germany relinquish her rights regarding the Chefoo-Weihsien Railway.”

When this is considered in connection with Clause 1, it would appear to be superfluous, for if Japan is to fall heir to all of Germany's rights in the Province, why such anxiety concerning an enterprise fully covered by the provisions of that Clause? If Germany, under the provisions of the Kiaochao Convention possessed the preferential right to finance this line, and if Japan is to succeed to these privileges, why was she so anxious to specify this particular concession, and have it super-guaranteed to her in a separate clause in the new treaty? Herein rests a story eloquent of Japan's way with China, and illustrative of the manner in which China is being looted and kept in financial vassalage to other Powers. The story is difficult to understand without the aid of a map of North China and a knowledge of her railway system and traffic problems.

Dairen is the commercial stronghold of Japan in Manchuria and North China, from here her merchants tap the wealth of the vast hinterland, and distribute their wares. A glance at the map will indicate that Dairen is only 85 miles distant by sea from the port of Chefoo in the Province of Shantung, which permits her

merchants to successfully compete in this sphere against the German entrepot at Tsingtau. An immense junk and light draft steamer traffic was rapidly developed between Dairen and the Shantung coast, and trade established which could not be taken away by Germany. Dairen in time rivalled Tsingtau as a distributing point for the trade of the province, in fact the Japanese port was more favorably located than Tsingtau to dominate the richer part of the Province. The shorter and cheaper water borne traffic cut into the more expensive and longer railway haul from Tsingtau to the heart of Shantung. Naturally neither Germany or Japan desired to contribute to the commercial growth of ports outside their control, and the importance of the old international treaty port of Chefoo was thereby impaired. The Japanese especially chafed under the forced necessity of contributing to the enrichment of a port under the jurisdiction of China, where European and American interests had long since secured control of the most profitable and choice business sites. The Japanese determined to get along without Chefoo and build up a port entirely under their own influence. When the breakwater scheme for the harbor of Chefoo became a certainty, and that its cost would be charged on the shipping and trade entering the harbor, the Japanese balked. When it is known that the Japanese flag floats over about 70 per cent. of the shipping which enters and clears from the port and that the great bulk of this shipping is engaged in the Dairen and Port Arthur run, it indicates that the Japanese trade between the Kwangtung Peninsula and Shantung would be called upon to pay the lion's share of the proposed harbor improvement. So Japan decided that Chefoo was no place for her, and began to look around for a more suitable base for her trade expansion in Shantung.

JAPAN'S WAY IN CHINA.

Seventy-five miles to the west of Chefoo is located the little obscure junk port of Lungkow. Reference to the map will disclose that the sea distance between Dairen and Chefoo, and Dairen and Lungkow are for all practical purposes the same, while Lungkow possessed the added advantage of being located seventy-five miles nearer the commercial heart of the province. No foreigners were located there, no vested interests had been established, and its remoteness promised freedom from molestation

and the prying eyes of foreigners. So here the Japanese decided to establish their sub-base for Dairen and exploit the province in company with the Germans, but safe from the latter's competition. With characteristic Japanese thoroughness they prepared their plans and proceeded to work. A Japanese steamship line to ply between Dairen and Lungkow direct, and a Japanese Bank with headquarters in Dairen and a branch in Lungkow, and both under the same management, were subsidized by the Japanese Government of the Kwangtung Leased Territory and commenced operations in 1912. They were the first in the field, and with the aid of the Bank naturally acquired the choice business and waterfront cites, tapped the trade of Chefoo to and from the heart of the province, and firmly ingratiated themselves with the leading Chinese merchants in the district. They settled down to improve their opportunity and wait for a paternal and watchful Government to further assist them. They had not long to wait for action. In December 1913, the Japanese Minister at Peking brought pressure to bear on China to open certain ports in Inner Mongolia to foreign trade. Included in the list was the little, unimportant and hitherto unheard of junk port of Lungkow on the north coast of Shantung. Even the old China "hands" wondered what it meant, as no one could see the advantage of opening this shallow harbor. It was soon realized however that Japan had stolen a march on the rest of the world, for by the use of her light-draft subsidized steamers in direct trade with Dairen, the port of Chefoo was isolated, and Japanese products brought seventy-five miles nearer the commercial heart of the Province, thus saving that expense of cart transportation. The commercial advantage of Lungkow to Japan is therefore apparent. It gives her a decided superiority over the traders of other nations established at Chefoo, and if ruthlessly pressed will result in the commercial ruin of Chefoo.

LUNGKOW'S STRATEGIC IMPORTANCE.

When the time came for Japan to declare war on Germany and commence operations against Tsingtau, instead of landing her forces within a reasonable distance of the German stronghold, she startled China and the world, by disembarking her troops at Lungkow, 180 miles away from her objective. This violation of China's neutrality has been strenuously defended by Japan and

the press of the Allies, on the grounds that Germany had set the lead. Technically the position may be correct, but all the evidence goes to strengthen the belief that the violation of China's neutrality by disembarking troops at Lungkow, was as much a fixed purpose of the Japanese General Staff, as the violation of Belgium was premeditated and formed part of the strategy of the German General Staff. Japan does nothing at hazard. She takes no chances. Her plans are laid long in advance. Lungkow was selected as Japan's base in the event of a war with Germany in 1912, in the same way that future events will disclose that certain Mexican incidents are not without their significance.

CHEFOO TO BE ISOLATED.

The construction of a railway between Chefoo and Weih sien is essential for the commercial rehabilitation of this one remaining deep water port in the north under the jurisdiction of the Chinese Government. The topography of the country compels such a line to follow the coast, and pass within a few miles of Lungkow. It is seen therefore that Lungkow holds the key to Chefoo's future prosperity, and that whoever controls Lungkow, can tap and divert the trade of Chefoo. Naturally, the Japanese desire that the proposed railway should terminate at Lungkow, especially if their money is to be employed in its construction. If Chefoo wants a line to connect with Lungkow and the interior, the Chefoo merchants may find the money themselves, but they can never have any control over the strategic section from Lungkow to Weih sien. In plain words Chefoo is to be left out in the cold. This is the "Ethiopian gentlemen in the wood-pile" concealed in Clause 2 of the treaty. If China wants a railway in this section Japan will only finance it as far as Lungkow, from there on to Chefoo it must be a separate local line with no participation in the administration of the main section. Not alone does the clause conceal this attempt against the commercial prosperity of Chefoo, but embraces one of the most barefaced intrigues for the acquisition of revenues now enjoyed by the Chinese Government and constituting one of its most valuable loan securities.

LOOTING CHINA'S TREASURY.

A feature of conditions in North China not generally understood consists in the scarcity of agricultural labor in Manchuria. Hundreds of thousands of coolies are annually imported in the

spring from the congested province of Shantung and returned to their homes after the harvest. This remarkable passenger traffic has been one of the principal sources of revenue and profit for the Chinese Government owned Peking-Mukden Railway, one of the greatest revenue earners of the Government as well as one of the most profitable railway enterprises in the world. Since Japan's acquisition of the South Manchuria Railway she has naturally set out to divert and capture as much of this profitable business as possible. To this end the Japanese Government has subsidized steamers and other vessels to ply between Dairen and the Shantung ports, and act as feeders to the railway. By offering special through rates from Shantung to the fields of Manchuria, they were able to divert a fair percentage of this lucrative trade. Not content with this they want it all. If Japan secures control of the main German railway from Tsingtau to Tsinan through the heart of the Province, and then dominates the line from Weihsien to the port of Lungkow, she thus obtains control of the essential link in a through Japanese transportation system from the heart of Shantung to the uttermost end of South Manchuria. The immense coolie traffic which has heretofore passed over and contributed to the prosperity of the Chinese Government Railways, will be thus diverted to the Japanese system. In other words, millions of dollars are transferred from the treasury of the Chinese Government to the coffers of the Japanese Government controlled South Manchuria Railway Company, and its allied interests. It constitutes one of the most callous exhibitions of diplomatic brigandage on record. The loss of this great revenue by the Chinese Government line will impair the value of a security pledged as the guarantee of important loans largely held in Great Britain, in addition to depriving the Government from the enjoyment of its legitimate sources of revenue. There is only one equitable solution to this, and that is for the Chinese Government to have full control of the Shantung railways with authority to impose such rates, as will protect its interests in other quarters. Otherwise if Japan insists on the right to finance the line and compel its termination at Lungkow, it is equivalent to forcing the Chinese Government to borrow \$5,000,000 gold at 85 at 5 per cent. interest, and other perquisites, in order to create the machinery to loot her treasury of at least \$2,000,000 per year.

THE MANCHURIAN TREATY.

The second treaty entered into between China and Japan consisted of nine clauses relating to Manchuria, the first clause of which reads:—

When Russia obtained the concession in 1896 for the Chinese Eastern Railway, provision was made for the reversion of the property to China after eighty-five years, without payment, and the right of purchase at the expiration of thirty-six years after completion. As the line was open to traffic in 1902 this placed the date when China would have the right to purchase the line, in 1938, or twenty three years hence. On March 27, 1898, Russia further obtained from China the lease of the Kwangtung Peninsula for twenty-five years and the right to construct the South Manchuria Railway under the same terms as the Chinese Eastern line. Japan's victory over Russia brought with it succession to the rights of the South Manchuria Railway and the lease of the Kwantung Peninsula. It will be seen therefore that the lease expired in 1923 or less than eight years hence, while the right to control the railway extended to 1938. The administration of the railway is of no political and little commercial advantage to Japan, without an extension of the lease in which the political control has its basis. How to obtain China's free consent to its extension before its expiration has been one of the most difficult political problems confronting Japanese statesmen for the last few years. It was recognized that if a stable Government was established in China and the country regained its financial feet, and created a modern army and navy, she would never willingly consent to an extension of the lease without some compensating advantages. As long as other Powers were loaning money to China, and standing sponsor for her independence and integrity, and urging her to purchase arms and ammunition, war ships and other implements of defense, this problem became a nightmare to Japan from the political viewpoint alone, as her only chance to maintain her hold in Manchuria, meant that she would have to fight for it. The question of the extension of the lease also seriously interfered with Japan's economic program in Manchuria, for after the first few loans secured on the railway, she found it increasingly difficult to persuade financiers to advance further funds, because of the short unexpired time of the lease. This point reached a climax five years ago, when her

overtures for a large loan secured on the railway was turned down in the international money markets. In fact the value of the railway as a security for further loans has ceased to exist owing to the short unexpired terms of the lease.

JAPAN'S OVERWHELMING NECESSITY.

It will be clearly seen that Japan's entire future in Manchuria was at stake and hinged on her being able to secure China's consent to the extension of the lease, not at its expiration in 1923, but immediately. Those familiar with the vital importance of the situation have been waiting to see just how Japan would act, in view of her oft repeated assurances of friendship for China, and the attitude of the other Powers towards the preservation of China's sovereignty. It has been clear to all competent observers that it was far from Japan's intentions to deal honorably with China and offer her some *quid pro quo* for the promise to extend the lease. Coercion was to be applied, whenever a suitable pretext could be found or manufactured. The necessity of always having some outstanding questions with China, and the wisdom of constantly creating new sources of trouble, with an eye to the extension of the lease was therefore forced on Japan as part of her policy towards her weaker neighbor. This in part accounts for her past unreasonable attitude. Japan was simply building up a case that would serve as the pretext for her demands when the opportune hour arrived. Time after time has China been forced to apologize and pay indemnities to Japan on the flimsiest pretexts, and various trifling questions have been deliberately left unsettled so as to form the basis of "strong" action when the time became appropriate. The danger confronting China was fully appreciated by the Chinese Government, and their readiness to comply at once with Japan's outrageous demands in these minor troubles, is explained by the menace which was always hidden in the background. The war in Europe swept away all these contemptible issues that Japan had sedulously created to justify her coercion of China. The big opportunity to force Germany out was presented, and to use the 99 year lease of Kiaochao as the lever for obtaining China's consent to the extension of the Kwantung lease. This was undoubtedly Japan's purpose when she announced at the outset of the war with Germany that Kiaochao would eventually be restored to China. Her

first intentions were evidently honest, but the temptation to take an unfair advantage, was too great to resist, and the Government was swept away by the wave of jingoism which surged over the Empire after the occupation of Tsingtau.

Germany's lease of Kiaochao, Britain's lease of the Kowloon Extension, and France's lease of Kwang-chow Bay, were stipulated at 99 years, while Russia modestly asked for only 25 years in Port Arthur and Dalny. This of course constituted a gross violation of equal opportunity and a discrimination against Japan, which became unbearable when carried to the extreme of acting as an impediment to the raising of funds for the exploitation of the territory, when China could so readily have made it all right by an immediate consent to the extension of the lease.

JAPAN'S "BENIGN" POLICY.

There has been so much praise in America of Japan's benign policies in China, by those unfamiliar with the real trend of political currents in the Orient, and ignorant of the fundamental issues, that I desire to emphasize, at the risk of tiresome reiteration, the imperative economic necessity of Japan in forcing China's immediate consent to the extension of the lease of the Kwangtung Peninsula. If the European war had not provided the opportunity, the issue would have been forced on China as the outcome of the many so-called outstanding "troublesome questions" deliberately created and allowed to hang over by Japan so as to provide the necessary face saving pretext for the grand *coup*. If real friendship for China existed in Japan, or any desire to be just, a way would have been found to approach China openly and honorably with some offer of compensating advantages in exchange for the valuable privileges embraced in the extension of the lease. The Chinese Government although reluctant to perpetuate these symbols of her impotence, would have met Japan half way in any friendly overtures based on a recognition of her sovereign rights and the laws of equity and justice.

Japan's financial position was desperate. The country was overburdened with debt. She had no remaining domestic assets to serve as the security for further large loans. Her rich Manchurian properties were valueless for raising funds because of the short term of the lease. True, the railway would have re-

mained under her control until 1938, but its commercial value would have been greatly impaired without political control of the deep water terminals at Dairen and the fortress of Port Arthur. China would never have meekly consented beforehand to the extension of the lease without some reciprocal advantage, and as Japan's policy never contemplated any such honorable offer, the coveted concession was to be extracted by force.

Is this action on a par with Germany's much censured and condemned application of the Mailed Fist at Kiaochao, or does it stand apart as a glowing tribute to Japan's altruism and expression of good will and honorable intentions towards China?

JAPAN'S OFFICIAL COMMUNIQUE

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The Imperial Government have, in the demands lately presented to the Chinese Government, made it the main object to adjust matters to meet the new situation created by the war between Japan and Germany and to bring closer the friendly relations subsisting between Japan and China and thus ensure the permanent peace of the Far East. In formulating these demands, they have taken special care to avoid those which might have been deemed to conflict with the principles of territorial integrity, equal opportunity and the open door, which Japan has, from time to time, declared to the Powers in regard to China. Accordingly these demands include among others those relating to the disposition of German rights in Shantung, those relating to the recognition of the special position and interests of Japan in South Manchuria and Eastern Inner Mongolia, and those relating to the solution of various questions which for many years, have been pending between the Japanese and Chinese Governments.

Group I. Contains demands relating to the Province of Shantung.

The first article demands an engagement on the part of China to consent to all matters which may be agreed upon between the Japanese Government and the German Government with regard to the disposition of all rights, interests and concessions which in virtue of treaties or otherwise Germany possesses in relation to the Province of Shantung.

The second article demands an engagement on the part of China not to alienate or lease to another Power the Province of Shantung or any portion of it or any island lying near the coast of the said Province.

Article 3. China shall grant to Japan the right of construction of a railway connecting Chefoo or Lungkou with the Tsinanfu-Kiaochau Railway.

Article 4. The Chinese Government shall open the principal cities of the province of Shantung for the residence and trade of foreigners.

Group II. Contains demands relating to South Manchuria and Eastern Inner Mongolia. The first article demands the extension of the terms of lease of Port Arthur and of the South Manchuria and Antung-Mukden Railways to a period of ninety-nine years. The second article demands that Japanese subjects shall be permitted to lease or own land necessary either for erecting buildings of various kinds for commercial and industrial uses or for agricultural purposes. The third article demands that Japanese subjects shall be permitted to reside, travel and carry on business of various kinds, commercial, industrial or otherwise. The fourth article demands that Japanese subjects shall be granted the mining rights of certain specified mines. The fifth article demands that the consent of the Japanese Government shall be obtained in advance when China proposed to grant a railway concession to subjects of a third power or to procure a supply of capital from a third power for the construction of a railway or to raise a loan from such power on the security of duties or taxes. The sixth article demands that the Japanese Government shall be consulted before the engaging of advisers or instructors regarding political, financial or military matters. Article seven demands that the management and control of the Kirin-Changchun Railway shall be transferred to Japan for the term of ninety-nine years.

Group III. Contains demands relating to the Hanyehping Company. The first article demands that having regard to the close relations between Japanese capitalists and this Company, the Chinese Government shall agree to the placing of the Company under joint Japanese and Chinese management and not to dispose or permit the Company to dispose, without the consent of Japan, any rights or property belonging to the Company. The second article demands that owing to the necessity for the protection of the interests of Japanese capitalists, the Chinese Government shall engage not to permit, without the consent of the Company, any one other than the Company to work mines situated in the neighborhood of those belonging to the Company and also to obtain previous consent in case it is proposed to take measures which may be deemed to affect the Company directly or indirectly.

Group IV. Contains demands relating to the non-alienation of the coast of China or islands off the coast. The Chinese Government shall engage not to alienate or lease to a third Power any ports or bays on, or islands off, the coast of China.

Group V. Propositions relating to the solution of pending questions and others.

Article 1. The Central Chinese Government must engage influential Japanese as political, financial and military advisers.

Article 2. The Chinese Government must recognise the right of Japanese to land for building Japanese hospitals, temples and schools in the interior of China.

Article 3. The police in localities where such arrangements are necessary must be placed under joint Japanese and Chinese administration, or else Japanese must be employed as police officers in such localities.

Article 4. China must obtain from Japan a supply of a certain quantity of arms, or else must establish arsenals in China, under joint Japanese and Chinese management, and these must be supplied with experts and material from Japan.

Article 5. Japan must be given the right to construct a railway connecting Wuchang with the Kiukiang-Nanchang line and with the Nanchang-Hangchow railways.

Article 6. In view of the relations between the province of Fukien and Formosa and the agreement respecting the non-alienation of Fukien, Japan must be consulted whenever foreign capital is needed in connection with railways, mines and harbor works, including dockyards.

Article 7. The Chinese Government must recognise the right of preaching by the Japanese in China.

With regard to the province of Shantung, China absolutely lacks, it is clear, in her present condition, the power to prevent Germany from recovering her influence in that province and from becoming in future again a source of disturbance in the Far East. It is, therefore, natural that Japan, who has at great sacrifice driven Germany out of Shantung, should present the above-mentioned demands, in order to consider how the rights possessed by Germany should be disposed of, and to take measures to prevent the recrudescence of German influence.

Japan's relations with Manchuria have always been especially

close geographically, politically and from the point of view of commercial and industrial interests. Since those relations have been strengthened by two successive wars the predominant position of Japan in that region has been recognised both at home and abroad.

The case is almost similar in regard to Eastern Inner Mongolia.

Further for the advancement of the intimate relations existing between Japan and China, no effort should be spared to solve definitely on this occasion all pending questions which are likely to lead to difficulties with China and at the same time to make an agreement with a view to prevent future misunderstandings. The Japanese Government, fully expecting that the Chinese Government would value the friendly sentiments existing between the two countries and willingly accede to the Japanese proposals, urged them to carry these matters into effect, whereas, in other matters China's consent was demanded by reason of treaty and other rights.

With regard to the demands, which were formulated after careful and mature consideration, on the basis of the principles above referred to, the Chinese Government, in disregard of the understanding which was made at the commencement of the negotiations to keep the proceedings of the conferences strictly secret, made public the Japanese proposals, in various exaggerated forms and endeavored to stir up the feelings of the Powers against Japan. They caused the matters discussed at the conferences to be published invariably in the newspapers, with a view to hindering the progress of the negotiations; by fabricating news detrimental to Japan and they attempted to shake the confidence placed by her ally in Japan. They even demanded the unconditional retrocession of Kiaochoo and an indemnity for the damage caused by the war between Japan and Germany, and thus they showed from the first a lack of a sincere desire for a satisfactory conclusion of the negotiations. Moreover, although the Japanese Government fully showed its sincerity by repeatedly explaining the motives of the demands and endeavored to hear China's unreserved views on the matter, it is an undeniable fact that the Chinese authorities failed to appreciate the friendly attitude of Japan and persisted in protracting the negotiations. Twenty-five conferences were held in all, extending over more than three months and throughout these conferences the Japanese Govern-

ment exhausted every means of arriving at a satisfactory solution, but the Chinese Government, although they showed a disposition to agree to the demands relating to the province of Shantung, yet with regard to South Manchuria put various restrictions upon the most important demands, namely those relating to the rights regarding land tenure and objected to those relating to Eastern Inner Mongolia and various questions enumerated under Group V. on the ground that they were derogatory to the sovereign rights of China or conflicted with treaties with other Powers and, although the Japanese Minister explained that such was not the case, they refused to listen. But, recognising that a satisfactory conclusion of the negotiations was most important for the maintenance of peace of the Far East, the Japanese Government treated the Chinese contentions with every consideration, making very great concessions. In a spirit of conciliation they amended their proposals and presented their revised draft to the Chinese Government on April 26. In the revised draft the contentions put forward by the Chinese Government were taken into consideration. In this draft, as regards Eastern Inner Mongolia, the demands were confined, for the present, to absolutely necessary matters; those relating to the Hanyehping Company were confined to matters which had been admitted by the Chinese Government at the conferences. As regards the demand respecting the non-alienation of the coast, the form desired by the Chinese was accepted. The proposals relating to advisers, ownership of land for schools and hospitals, and the position of the province of Fukien were all altered in accordance with the views expressed by the Chinese representatives at the conferences. As regards South China railways, the relations with third parties especially were respected and alterations were made accordingly. The question of the right of preaching was reserved for future negotiations. Those relating to police and the ownership of sites for temples were withdrawn.

More Articles Added in Revised Draft

The revised draft is therefore practically as follows:—

Group II. Eastern Inner Mongolia is excluded from the proposals respecting South Manchuria and Eastern Inner Mongolia and the second and third articles are amended as follows:

Article 2. Japanese subjects shall be permitted in the region

of South Manchuria to lease or buy land necessary for erecting buildings, of various kinds for commercial and industrial uses or for agricultural purposes.

Article 3. Japanese subjects shall have liberty to enter, travel and reside in the region of South Manchuria and carry on business of various kinds, commercial, and industrial, and otherwise.

The fourth article, referring to the preceding two provisions, says that Japanese subjects shall produce before the Chinese local authorities passports duly issued and registered by the said authorities. They shall also observe Chinese police laws or regulations approved by the Japanese consuls and pay to the Chinese authorities taxes approved by the Japanese consuls. In civil, original suits the Japanese consul, where a Japanese subject is defendant, and a Chinese official, where a Chinese is defendant, shall respectively try and decide the case, both the Japanese consul and the Chinese official being permitted each to send an authorized agent to attend the trial and watch proceedings, provided that in a civil suit concerning land between Japanese and Chinese the case shall be examined and decided jointly by the Japanese consul and a Chinese official according to the laws and local customs of China, provided further that in future when the judicial system in the said region shall be completely reformed all civil and criminal suits involving Japanese subjects shall be wholly tried and decided by Chinese courts.

Proposals relating to Eastern Inner Mongolia:—

The first article demands that China shall permit joint enterprises of Japanese and Chinese in agricultural and auxiliary industries, the second that China shall consult Japan first in case China contemplates contracting either railway loans or secured by taxes, and the third that China shall increase the number of open markets.

Group III. As regards the Hanyehping Company the Chinese Government shall engage to approve of an agreement that may be concluded in future between the Company and Japanese capitalists for a joint undertaking, and agrees not to confiscate it nor to nationalise it without the consent of interested Japanese capitalists and not to permit it to contract any foreign loan with other than Japanese.

Group IV. As regards the non-alienation of Chinese coasts, the Japanese Government will be satisfied with the declaration as suggested by the Chinese Government.

Group V. As to the other points the following shall be kept on record:

Article 1. That the Chinese Government will in case of necessity in future employ Japanese advisers.

Article 2. In case Japanese subjects desire to lease or purchase land for the purpose of building schools or hospitals in the interior, the Chinese Government will permit them to do so.

Article 3. The Chinese Government will some day in the future send military officers to Japan in order to make arrangements directly with the Japanese military authorities either for the purchase of arms from Japan or for establishing an arsenal [? arsenals] in China under Sino-Japanese management.

Article 4. The Chinese Government will grant Japan her desired railway concession in South China in case it becomes clear that there is no objection in this respect on the part of any other Power, or that the Chinese Government will refrain from entering into any agreement with any other party concerning the railway lines in question until Japan may, independently of the present negotiations with China, reach an agreement with the party whose interests, in the opinion of the Chinese Government, are opposed to the proposed lines.

Article 5. The question of freedom for preaching by Japanese missionaries will be left over for future discussion.

The proposal for joint administration of police is withdrawn.

As to Fukien province the Chinese Government must engage in some form that they will not grant to any other power the right to build a shipyard, coaling or naval stations, or any other military establishment on or along the coast of Fukien province, and further, that the Chinese Government will not allow any such establishment to be built with any foreign capital on the coast of the said province.

At the same time as the presentation of the revised draft, the Japanese Government declared to the Chinese Government that if, at any peace conference upon the conclusion of the present war, Japan should be given the free disposal of Kiaochow which she acquired at enormous sacrifice, she would return it to China subject to certain conditions, of which the principal ones were as follows :

The opening of Kiaochow Bay as a commercial port.
The establishment of a Japanese concession in a locality designated by the Japanese.

The establishment, if required by the Powers, of an international settlement and arrangements between the Japanese and Chinese Governments regarding the disposal of the German public structures and properties.

Germany having after many years labour and heavy expenditure of money converted Kiaochow into an important military and commercial port, as the basis of her expansion in the East, German influence in this part of China grew with the development of Kiaochow and became so firmly established that it was utterly hopeless for China, singlehanded, to regain possession of the leased territory. Japan, desiring to remove this source of danger, which might in future again disturb the peace of the Far East, captured it at no small cost of life and money, and now that it is in her hands, she is almost at liberty to dispose of it at will. She is certainly under no obligation to return it to China, but she offered of her own will to return Kiaochow because she was anxious to promote friendly relations with China and to maintain the general peace of the Far East. The Chinese Government have, however, failed to reciprocate Japan's sentiment of accommodation and conciliation, and on May 1, presented a counter-draft which they declared to be their final answer.

In this counter-draft, the Chinese Government recognise with regard to South Manchuria the right of residence, trade and leasing land by Japanese subjects in the interior, but refuse to grant long leases.

The Chinese Government also demand that Japanese subjects shall submit to Chinese police laws and regulations, be liable to

the same taxes and duties as Chinese, and all actions arising out of land disputes, whether between Japanese and Chinese, or between Japanese themselves, shall come under the jurisdiction of Chinese courts.

As regards Eastern Inner Mongolia, they put limitations on the extent of that region and refuse to permit the main point of the Japanese demand, which is the joint enterprise of Japanese and Chinese in agriculture and auxiliary industries.

Further they demand at the same time the unconditional surrender of the leased territory at Kiaochow, and the recognition of the right of the Chinese Government to participate in the coming peace negotiations between Japan and Germany.

Indemnification by Japan for all losses suffered by China in consequence of the Japan-German war.

The immediate removal of various military establishments of the Japanese army and the prompt evacuation of occupied territory.

They also refused all the proposals contained in Group V. of the Japanese amended project except that relating to Fukien. In this counter-draft the Chinese Government, still further in disregard of responsible statements made by their representatives at the conferences, revived in some cases articles which had already been withdrawn and in others made alterations in matters which were agreed to. Moreover, they make demands to which it is clearly impossible for Japan to accede, such as those for the unconditional surrender of Kiaochow and indemnification for losses incurred through the Japan-German war. Furthermore, the Chinese Government declare that their counter-draft formulates their final decision. Accordingly, so long as Japan, refuses to accede to these demands whatever agreement may have been arrived at on other points must ultimately be abortive and the terms offered by China prove illusory. The Japanese Government deeply regret to perceive from the attitude of the Chinese Government that it is no longer any use to continue the present negotiations. Nevertheless, being desirous, with a view to the maintenance of peace in the Far East, to make every effort to bring the negotiations to a satisfactory conclusion and thus to avoid complications in the situation, the Japanese Government, taking fully into account the wishes of the Chinese Government,

decided with great forbearance, to leave out of the present negotiations and reserve for future discussion all items specified in Group V. of the amended draft, except that relating to Fukien, about which an agreement has been reached. The Japanese Government instructed their Minister at Peking on May 6th that, in conveying this decision to the Chinese Government he should earnestly advise them to give due regard to Japan's sentiment of accommodation and conciliation and express after careful consideration their assent without delay to the Japanese amended draft and at the same time announce that the Japanese Government expect from the Chinese Government a satisfactory response to this advice not later than six p. m. on 9th May.

DATE DUE

APR 21 '69

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